



# Session Wrap-Up 2013

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*Bills that passed the Legislature and impact the  
Department of Labor & Industries*

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# A letter from Director Joel Sacks

August 2013

The state legislature completed their work just a few days prior to the beginning of the fiscal year, forcing state agencies to plan for the possibility of starting the fiscal year without a budget. When the session began in January, legislators faced revenue shortfalls and a state Supreme Court ruling that determined the legislature was failing to adequately fund schools. This double whammy helped take legislative budget talks into overtime.

Nevertheless, under the leadership of Gov. Jay Inslee, L&I was able to secure the passage of several bills requested by the agency.

- **Reducing paper.** HB 1468 will allow us to offer electronic alternatives to the thousands of paper checks mailed out for benefits to injured workers and crime victims. These innovative alternatives, including prepaid debit cards, will improve service to customers and save the agency time and money.
- **Workers' Comp for horse racing.** HB 1469 will change the way workers' compensation premiums are calculated and paid for the horse racing industry. We worked with industry representatives to develop the bill which is expected to attract more participants to Washington tracks.
- **Vocational services.** SB 5362 will continue improvements to vocational services for injured workers to help them get back to work. This measure will give us more time to evaluate the program created by the 2007 legislature and was backed by our business and labor rehabilitation subcommittee.

## Budget impact

Once the smoke cleared after final budget negotiations, L&I gained an additional 20.5 FTEs under the new budget. Affected programs included:

- 12 FTE for medical management best practices
- 6 FTE for elevator inspections
- 1.5 FTE for electronic benefit payments
- 1 FTE for a knowledge management system

Several other aspects of the budget will affect L&I including:

- Using existing resources to work on reducing the frequency and severity of injuries in non-mechanized logging.
- L&I will see General Fund cuts of about \$400,000. These cuts will affect our General Fund programs like Crime Victims, Elevator, Factory Assembled Structures and the Contractors program. Most of the cuts will occur after July 1, 2014. Between now and then, we will work with the programs involved to determine how best to address the cuts with minimum disruption to our customers.

## A great team effort

The 2013 legislative session will be remembered as a long, difficult journey. Many L&I staff were involved as the agency monitored developments and provided information to legislators and their staff.

Labor & Industries fared well during the session and much of the credit goes to our legislative team. Thanks to their hard work, Labor & Industries will be able to continue its mission to "Keep Washington Safe and Working."

Sincerely,

Joel Sacks  
Director

## 2013 Budget

Every two years, the state legislature passes an operating budget to fund state government services. The funding spans the full biennium, July 1 through June 30. The 2013 legislature was challenged to enact an operating budget for the period of July 1, 2013 through June 30, 2015 before the expiration of the previous budget. Just after layoff notices were sent to state employees, the state legislature passed, and Governor Inslee signed, a \$33.6 billion biennial budget that allowed the work of state government to continue.

Funding levels for the department for the next 2 years total nearly \$660 million. This funding level includes a restoration of the 3 percent pay reduction that went into effect 2 years ago. It also created a new step for classified employees who have been step L for at least 6 years. These changes took effect June 29.

The department submitted seven decision packages seeking funding for specific projects. Of those, 4 were fully funded including:

- **Electronic Benefit Payments**, \$2.4 million, 1.5 FTE - to provide an alternative to sending paper checks. The department will implement two convenient new electronic benefit payment methods: direct deposit into the person's personal bank account, and prepaid debit cards.
- **Elevator Program Staff**, \$1.5 million, 6.0 FTE - to ensure public safety, meet its legal obligation, and reduce impacts to construction contractors and building owners of delays.
- **Knowledge Management**, \$2.0 million, 1.0 FTE - to gather and build a library of pertinent information to be used to improve service delivery and resolve customer problems more quickly. The system will be architected and developed to retrieve knowledge assets in current applications and selected external sources for decision making by the department's staff.
- **Medical Management Best Practices**, \$4.2 million, 12 FTE - additional clinical expert resources to ensure that the right expertise is applied at the right time to worker's compensation claims so that appropriate medical decisions are made.

In addition, the legislature enacted changes to several programs not requested by the department. Those include:

- **Crime Victims' Compensation program**, (\$1 million) reduction to the Medicaid expansion provisions contained in the Affordable Care Act.
- **Logger Initiative** – Specific proviso language directing the department to expend \$820,000 toward reducing the frequency and severity of injuries in manual or non-mechanized logging.
- **Vocational Rehabilitation Project**—\$1.3 million and 7.5 FTEs were provided to extend the sunset date for the vocational training pilot program, Vocational Improvement Project (VIP).
- **Transportation Improvement Projects**—\$287 thousand was provided to allow the department to collect taxes, increases, and penalties from the contract retainage bond for public improvement contracts public improvement contracts that are funded in whole or in part by federal transportation funds

Finally, the department is expected to contribute to achieving an overall savings in government operations. These include:

- **Lean Management efficiencies savings**—State agencies must implement Lean, create efficiencies and save a total of \$30 million in FY15. L&I is expected to receive a reduction of about \$300,000. This will impact Crime Victims, Elevator, Factory Assembled Structures, and the Contractors programs.
- **Information Technology Efficiencies**—Efficiencies in information technology purchases, maintenance, and operations are expected to generate \$5 million in savings. L&I will be required to report on efficiencies gained. L&I is expected to receive a reduction of about \$50,000.

## Agency-Wide or Multiple Divisions

| Issue  | Bill number                          | Short bill description  | L&I tasks in the bill  | L&I staff lead | Impacted Divisions  |
|--|--------------------------------------|---|--|----------------|---|
| Promoting economic development by providing information to businesses. | <a href="#">ESHB 1403</a><br>(Smith) | <p>All named agencies, including the L&amp;I, must fully participate in the implementation of the Business License Center Act by providing licensing information to the Department of Revenue (DOR) for incorporation into the master license system.</p> <p>DOR may issue licenses through the master license system if both DOR and the agency agree.</p> <p>The agency is required to provide the licensing and other information to DOR by November 1<sup>st</sup>, of each year.</p> | <p>Provide the name of the agency's coordinator to DOR;</p> <p>Provide to DOR by November 1<sup>st</sup> each year: a list of each business license issued by the agency, description of the persons and specific activities for which the license is required, the time period for which the license is issued and any issuance, renewal, or reissuance requirements, and other information DOR determines necessary.</p> | Dave Wasser    | Fraud Prevention & Labor Standards and Field Services and Public Safety |

## Division of Occupational Safety & Health

The Department of Labor and Industries' (L&I) mission – “Keep Washington Safe and Working” – puts an important spotlight on the Division of Occupational Safety Health's (DOSHS) responsibilities. DOSHS efforts prevent injuries, illnesses, and deaths through education, consultation, and compliance. The vision is that Washington has the safest workplaces in the nation.

### *DOSH-related bills that passed the legislature:*

| Issue   | Bill number                             | Short bill description  | L&I tasks in the bill  | L&I staff lead                                |
|---|---|---|--|---|
| Concerning geoduck diver licenses.                                      | <a href="#">2SHB 1764</a><br>(Chandler) | Department of Natural Resources (DNR) must establish a Geoduck Harvest Safety Committee. DNR is required to adopt rules for a geoduck diver safety program based on the recommendations of the Geoduck Harvest Safety Committee by December 1, 2014. Rules may not be in conflict with OSHA's commercial diving safety standards. Beginning January 1, 2015, geoduck divers licensed by the Washington Department of Fish and Wildlife must complete the geoduck safety program annually. | None. L&I is available to provide technical assistance as needed.  | Alan Lundeen                                  |
| Concerning the transportation and storage of certain explosive devices. | <a href="#">SSB 5264</a><br>(Benton)    | The Washington State Explosives Act now excludes the transportation and storage of explosive actuated tactical devices, by local law enforcement tactical response teams and officers in law enforcement department-issued vehicles designated for use by tactical response teams and officers, provided the explosive devices are stored and secured in compliance with regulations and rulings adopted by the Federal Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)         | Rulemaking to amend WAC 296-52 to permit local law enforcement to store and transport explosive actuated tactical devices in accordance with ATF regulations and rulings | Alan Lundeen,<br>Jeff Killip,<br>Mason Reiter |

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## Field Services & Public Safety Division

L&I maintains 19 field offices around the state providing information and assistance to employers and workers on wage claims, permits, inspections, and other services administered by L&I. The division also oversees programs involving electrical installations, elevator and boiler safety, factory assembled structures and installer certification programs.

### *FSPS-related bills that passed the legislature:*

| Issue                                    | Bill number                       | Short bill description                                     | L&I tasks in the bill        | L&I staff lead             |
|--|-----------------------------------|--|------------------------------|----------------------------|
| Making omnibus operating appropriations. | <a href="#">3ESSB 5034</a> (Hill) | Funding provided to hire 6 additional elevator inspectors. | Hire new elevator inspectors | Jose Rodriguez<br>Jack Day |

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## Financial Management Division

L&I's Financial Management section oversees the agency's budget; accounting; risk management and internal safety; crime victims' program, administrative services and actuarial services. This section also oversees the agency's lean efforts, performance management, and research. The Department's 2013-15 carry forward level (CFL) biennial budget is \$635.6 million, and is primarily funded through the collection of worker's compensation premiums paid by employers and employees, as well as revenues generated through user fees for services such as contractor licensing, plumber certification, and inspections of elevators, boilers and electrical work.

### *Budget-related bills that passed the legislature:*

| Issue   | Bill number                     | Short bill description   | L&I tasks in the bill  | L&I staff lead  |
|---|---------------------------------|--|--|---|
| Modifying payment methods on certain claimants' benefits. | <a href="#">HB 1468</a> (Sells) | Allows L&I to offer payment options for injured workers and victims of crime. In addition to paper checks ("warrants"), claimants will be able to receive either direct deposit ("EFT") to their bank accounts or to receive a debit card. | <p>An IT project is funded to hire a project manager and authorize acquisition of temporary contact programmers to:</p> <ul style="list-style-type: none"> <li>• Reconfigure current IT systems to process and reconcile new payment options</li> <li>• Build a web based system so that injured workers and victims of crime can apply for the two options online</li> <li>• Conduct user testing and outreach</li> <li>• Coordinate new Service Level Agreements and build new processes with the Office of State Treasurer</li> </ul> | Vickie Kennedy, Executive Sponsor<br><br>Kim Moore, Project Mgr |

|                                       |                                      |   |   |              |
|---------------------------------------|--------------------------------------|---|---|--------------|
|                                       |                                      |   | <p>Additional legislative changes are required to allow for the new benefit payment methods.</p> <p>The high-level timeline includes:</p> <ul style="list-style-type: none"> <li>• Requirements finalization by September 2013.</li> <li>• System Design complete December 2013.</li> <li>• Usability design complete March 2014.</li> <li>• Development complete December 2014.</li> <li>• User Testing complete February 2015.</li> <li>• Refactor/Redesign/Rework complete March 2015.</li> </ul> <p>Stabilization &amp; transition to maintenance complete by May 30, 2015.</p> |              |
| Requiring an inventory of state fees. | <a href="#">SB 5751</a><br>Schoesler | Requires OFM to compile an inventory of state agency fees and convene a work group to develop a process to facilitate more frequent updates to the inventory. Requires the Legislative Evaluation and Accountability Program to publish the fee inventory on its state expenditure information website. | L&I must report to OFM an inventory of all fees charged by the agency.  | Roger Wilson |

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## Fraud Prevention & Labor Standards Division

Fraud Prevention and Labor Standards oversees a variety of programs designed to ensure that businesses, workers and medical providers all play by the rules. Programs under this group include Employment Standards; Prevailing Wage; Contractor Compliance; Plumber Certification; Apprenticeship and Fraud Prevention programs. L&I's Fraud Prevention efforts assessed \$24.6 million in unpaid employer premiums plus penalties in fiscal year 2012. The program brings in nearly \$9.30 for every dollar spent to fight fraud.

### *FPLS-related bills that passed the legislature:*



| Issue  | Bill number                        | Short bill description   | L&I tasks in the bill   | L&I staff lead                                  |
|--|------------------------------------|--|---|---|
| Concerning public contracts for transportation improvement projects. | <a href="#">SHB 1420</a><br>(Lias) | The exception to retainage requirements is expanded to all public transit agency projects and some county or local government projects that are funded at least in part with federal transportation funds. | Establish multi-agency meetings with ESD and DOR.<br><br>Modify LINIIS to indicate which projects are funded in whole or in part by federal transportation funds. | Liz Smith<br>Ann Selover<br>Shari Purves-Reiter |

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## Government Affairs & Policy Division

The Governmental Affairs and Policy Division supports the mission of the agency by providing legislative and policy assistance to the Director and agency leadership. The Division manages the agency's legislative agenda and strategy to ensure that L&I has successful legislative sessions. The Division leads policy efforts, manages special projects, helps small businesses resolve specific problems, and oversees a variety of efforts to include the voices of customers and front line staff to improve L&I's operations and services.

### *GAPD-related bills that passed the legislature:*

| Issue   | Bill number                         | Short bill description   | L&I tasks in the bill   | L&I staff lead    |
|---|-------------------------------------|--|---|-------------------|
| Promoting economic development through business and government streamlining projects.   | <a href="#">HB 1818</a><br>(Smith)  | Department of Commerce to conduct a minimum of one multijurisdictional regulatory streamlining project in each of the years 2014 through 2019, beginning with one in the manufacturing sector. | Participate in projects involving sectors it regulates.   | Celia Nightingale |
| Improving the business climate and stimulating job creation by requiring certain agencies to establish a formal review process of existing rules. | <a href="#">SSB 5679</a><br>(Brown) | Requires the departments of Ecology, Labor and Industries, and Health to establish a formal review process of existing rules.  | Establish and perform a formal review process of existing rules every five years, establish and use benchmarks, establish a process to sunset rules, and report to the legislature by January 2014. | Suchi Sharma      |

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## Insurance Services Division

L&I's Insurance Services division operates America's sixth largest workers' compensation system. Our customers are the state's 3.2 million workers and more than 168,00 employers. The Division collects more than \$1.5 billion in yearly premiums and pays about \$1.4 billion in yearly benefits. Activities of the program generally fall into two categories, State Fund and self-insured:

- The State Fund includes providing benefits to covered workers experiencing job-related accidents or illnesses and providing services to employers, enabling them to meet their obligations under the law. Services to employers include establishing premium rates at the lowest level necessary to maintain actuarial solvency.
- Regulating the activities of employers who qualify to self-insure their workers' compensation claims.

### *Insurance Services-related bills that passed the legislature:*

| Issue   | Bill number                       | Short bill description  | L&I tasks in the bill  | L&I staff lead |
|---|-----------------------------------|---|--|----------------|
| Addressing industrial insurance for horse racing employment.  | <a href="#">HB 1469</a> (Schmick) | Removes the specific basis for assessing premium and authorizes the L&I and the Washington Horse Racing Commission (WHRC) to jointly determine a basis for assessing premium.   | Work with HRC to assess premiums. Implement changes as necessary.  | Doug Stewart   |
| Addressing the recommendations of the vocational rehabilitation subcommittee for workers' compensation. | <a href="#">SSB 5362</a> (Conway) | Extends the sunset date for increased benefits, options, and other changes in the vocational rehabilitation system to June 30, 2016.  | Notify L&I staff, WCAC, WSIA, WSAJ, and other stakeholder groups along with private voc providers of the extension to 6/30/16.<br><br>Annual reports to the legislature beginning December 2013. | Rich Wilson    |
| Allowing the Department of Labor and Industries to provide information about certain scholarships.      | <a href="#">HB 1863</a> (Stonier) | Allows L&I to provide information about scholarship opportunities offered by nonprofit organizations to children and spouses of workers who suffered an on-the-job injury resulting in death or permanent disability. | Distribute communication materials.  | Candice Myrum  |

| Issue  | Bill number                               | Short bill description  | L&I tasks in the bill  | L&I staff lead |
|--|---|---|--|----------------|
| Ordering consideration of increased educational options under vocational rehabilitation plans.             | <a href="#">EHB 1887</a><br>(Sawyer)      | Requires the vocational rehabilitation subcommittee to consider options to allow some injured workers to pursue a baccalaureate degree under their vocational rehabilitation plan.  | Work with the vocational subcommittee to analyze viability of giving certain injured workers increased access to bachelor degree programs.<br><br>Report to the legislature December 2013. | Rich Wilson    |
| Making technical corrections to certain gender-based terms.  | <a href="#">SSB 5077</a><br>(Kohl-Welles) | Gender based language and references are made in numerous RCW titles. This bill changes those terms and references to be gender neutral.  | Modify web and paper materials.  | Denise McKay   |
| Establishing a work group to develop standardized prior authorization for medical and pharmacy management. | <a href="#">E2SSB 5267</a><br>(Becker)    | Creates a workgroup to consider approaches to streamline prior authorization process for prescription drugs, medical procedures and medical tests. Recommendations must be submitted to the legislature by November 15, 2013. | May participate in workgroup that will develop the criteria to streamline prior authorization process.   | Janet Peterson |
| Clarifying the employment status of independent contractors in the news business.                          | <a href="#">SB 5476</a><br>(Hewitt)       | Clarifies and expands the exclusion for persons selling or distributing newspapers on the street from mandatory coverage under Title 51 RCW.  | No action necessary - Implements/codifies current practice.  | Doug Stewart   |
| Monitoring the progress of the logger safety initiative.   | <a href="#">ESSB 5744</a><br>(Hargrove)   | Established task with the goal of reducing the frequency and severity of injuries to manual loggers. L&I must report back to the legislature on implementation of the initiative and participation in the safety program.     | Logging Task Force Policy Committee established March 2013.<br><br>Task Force meetings are ongoing.  | Vickie Kennedy |

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## L&I reports/studies due to the Legislature/Governor

| Submittal Date                          | Report Description  | Statute                                  | Submitted to   | Division                           | Program & Assigned Staff   |
|---|---|--|--|------------------------------------|----------------------------|
| End of each biennium (approx. Nov 2013) | Boards & Commissions Report   | RCW <a href="#">43.88.515</a>            | OFM  | Government Affairs & Policy        | Legislative Affairs        |
| Quarterly - Ongoing                     | Results WA  | RCW <a href="#">43.17.385(5)</a>         | Governor   | Financial Management               | Research and Data Services |
| October 1, annually                     | Report of Office Of the Ombudsman for Workers Compensation & Self Insurance       | RCW <a href="#">51.14.400</a>            | Governor   | Insurance Services                 | Assistant Director         |
| December 1 – annually                   | Grants for pre-apprenticeship   | RCW <a href="#">49.04.190(3)</a>         | Senate Commerce & Labor; House Labor & Workforce Development, & Senate Early Learning & K-12 & House Education | Fraud Prevention & Labor Standards | Apprenticeship             |
| December 1 – annually                   | Report on registration of contractors   | RCW <a href="#">18.27.342</a>            | Senate Commerce & Labor; Senate Ways & Means, House Labor & Workforce Development, House Appropriations        | Fraud Prevention & Labor Standards | Contractor Registration    |
| December 1, annually                    | Report on wage investigations and proceedings                                     | RCW <a href="#">49.12.180</a>            | Governor   | Fraud Prevention & Labor Standards | Employment Standards       |
| December 1, annually                    | Underground economy benchmark report in coordination with ESD and DOR             | RCW <a href="#">18.27.800</a>            | House Labor, Workforce Development; Senate Commerce & Labor  | Fraud Prevention & Labor Standards | Fraud                      |
| December 1, annually through 2014       | Report on the implementation of claim resolution structured settlement agreements | RCW <a href="#">51.04.069</a>            | House Labor, Workforce Development; Senate Commerce & Labor  | Insurance Services                 | Integrated Claim Services  |
| December 1, annually through 2015       | Report on Washington's workers' compensation voc rehab system to the legislature  | RCW <a href="#">51.32.099 (1)(c)(iv)</a> | Voc Rehab Subcommittee   | Insurance Services                 | Integrated Claim Services  |
| December 1, annually through 2016       | Report on Implementation of the provider network and COHE                         | RCW <a href="#">51.36.010 (11)</a>       | House Labor, Workforce Development; Senate Commerce & Labor  | Insurance Services                 | Health Services Analysis   |
| December 31, 2013                       | Report on the Development and   | <a href="#">RCW 51.04</a>                | House Labor, Workforce   | Insurance Services                 | Employer Services          |

| Submittal Date  | Report Description  | Statute                                | Submitted to  | Division                           | Program & Assigned Staff   |
|---|---|--|---|------------------------------------|----------------------------|
|   | Implementation of the Logger Safety Initiative  |  | Development; Senate Commerce & Labor  |                                    |                            |
| December 31, 2013   | Voc subcommittee to provide recommendations on statutory changes needed to develop options that would allow injured workers to attend baccalaureate institutions. | RCW <a href="#">51.32.099</a>          | Director and Legislature  | Insurance Services                 | Integrated Claim Services  |
| January 2014  | Establish and perform a formal review process and report back with the review process and benchmarks  | RCW 43.22 ( <a href="#">SSB 5679</a> ) | Applicable Legislative Committees   | Government Affairs & Policy        | Executive Policy           |
| January 31 of each even-numbered year                                 | Significant Legislative Rules Report  | RCW <a href="#">34.05.328</a>          | Governor's Office of Regulatory Assistance for legislative submittal                                    | Government Affairs & Policy        | Executive Policy           |
| Annually, no date specified. January preferred.                       | Annual Report of the Department   | RCW <a href="#">43.22.330</a>          | Governor  | Communications                     | Web Services               |
| Annually, no date specified, but in January prior to session (Jan 1). | Annual Worker's Compensation Fraud Report   | RCW <a href="#">43.22.331</a>          | Senate Commerce & Labor, Senate Ways & Means, House Labor & Workforce Development, House Appropriations | Fraud Prevention & Labor Standards | Fraud                      |
| 2015 report suspended per OFM instructions.                           | Washington State Quality Award  | RCW <a href="#">43.17.390</a>          | WSQA or similar organization  | Financial Management               | Lean Transformation Office |
| Annually  | Report of Prevailing Wage Determinations  | Voluntary                              | Governor, House Labor, Workforce Development; Senate Commerce & Labor; OFM                              | Fraud Prevention & Labor Standards | Prevailing Wage            |